

CITY OF WOODBINE
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2010

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditors' Report	5-6
Management's Discussion and Analysis	7-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets – Cash Basis	A 14-15
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 16-17
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 18
Notes to Financial Statements	20-27
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	29-30
Notes to Required Supplementary Information – Budgetary Reporting	31
Other Supplementary Information:	<u>Schedule</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1 33
Schedule of Indebtedness	2 34-35
Bond and Note Maturities	3 36
Schedule of Receipts By Source and Disbursements By Function - All Governmental Funds – For the Last Six Years	4 37
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39-40
Schedule of Findings	41-44

City of Woodbine

Officials

<u>Name</u>	<u>Title</u> (Before January 2010)	<u>Term Expires</u>
William Hutcheson	Mayor	January 2010
James Andersen	Council Member	January 2010
Deb Jochims	Council Member	January 2010
Nancy Yarbrough	Council Member	January 2010
Noel Sherer	Council Member	January 2012
Robert Stephany	Council Member	January 2012

<u>Name</u>	<u>Title</u> (After January 2010)	<u>Term Expires</u>
William Hutcheson	Mayor	January 2012
Noel Sherer	Council Member	January 2012
Robert Stephany	Council Member	January 2012
James Andersen	Council Member	January 2014
Brenda Loftus	Council Member	January 2014
Nancy Yarbrough	Council Member	January 2014

Bob Sullivan	City Administrator	Indefinite
Lois Surber	City Clerk/Treasurer	Indefinite
Joseph Lauterbach	Attorney	Indefinite

City of Woodbine



Marilyn Schroer, CPA
Diane McGrain, CPA
Jim Menard, CPA

September 27, 2010

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Woodbine, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Woodbine's management. Our responsibility is to express opinions on these financial statements based on our audit.

The financial statements of the discretely presented component unit were audited by another auditor who expressed an unqualified opinion on those financial statements in his report dated August 13, 2010.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2009.

Continued...

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Independent Auditors' Report
City of Woodbine

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2009, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Woodbine as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1. The financial statements of the discretely presented component unit were audited by an other auditor who expressed an unqualified opinion on those financial statements in his report dated August 13, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2010 on our consideration of the City of Woodbine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 29 through 31 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Woodbine's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the years ended June 30, 2008 and 2006, (none of which are presented herein) and expressed qualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not audit the financial statements for the years ended June 30, 2009, 2007 and 2005, and did not express an opinion on those financial statements.

Schroer & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Woodbine provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

The financial statements of the City's component unit, the Woodbine Municipal Light and Power, are issued under separate cover. Please refer to those financial statements for additional information.

2010 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased approximately \$210,000 for fiscal 2009 to fiscal 2010. Property taxes increased \$39,000, capital grants increased \$264,000, tax increment financing collections decreased \$26,000, and operating grants decreased \$62,000.
- Disbursements increased \$285,000 in fiscal 2009 from fiscal 2010. Capital projects increased approximately \$283,000.
- The City's total cash basis net assets increased \$81,467 from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities decreased \$29,079 and the assets of the business type activities increased by \$110,546.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and gas. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and gas funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$495,000 to \$466,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)			2010	2009
Receipts				
Program receipts:				
Charges for service	\$	65	\$	66
Operating grants, contributions and restricted interest		191		253
Capital grants, contributions and restricted interest		264		-
General receipts:				
Property tax		542		503
Tax increment financing collections		86		109
Local option sales tax		79		85
Grants and contributions not restricted to specific purposes		1		1
Unrestricted interest on investments		7		12
Miscellaneous		7		3
Total receipts		1,242		1,032
Disbursements				
Operating:				
Public safety		291		254
Public works		225		205
Health and social services		3		3
Culture and recreation		198		191
Community and economic development		32		103
General government		53		41
Debt service		141		144
Capital projects		363		80
Total disbursements		1,306		1,021
Change in cash basis net assets before transfers		(64)		11
Transfers		35		74
Change in cash basis net assets		(29)		85
Cash basis net assets, beginning of year		495		410
Cash basis net assets, end of year	\$	466	\$	495

The City's total receipts governmental activities increased approximately \$210,000. The significant increase in receipts was grant revenue for a street project.

The cost of all programs increased approximately \$285,000 due to the cost of housing projects.

According to the Statement of Activities, the cost of all governmental activities were subsidized by charges, operating and capital grants, contributions and restricted interest totaling \$520,475. The remaining portion of \$785,588 was financed with general receipts, which includes property taxes, and unrestricted grants and interest.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30, 2010	Year Ended June 30, 2009
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 172	164
Sewer	92	87
Gas	711	745
General receipts:		
Unrestricted interest on investments	7	13
Miscellaneous	28	28
Total receipts	<u>1,010</u>	<u>1,037</u>
Disbursements:		
Water	113	126
Sewer	65	89
Gas	686	772
Total disbursements	<u>864</u>	<u>987</u>
Change in cash basis net assets before transfers	146	50
Transfers, net	<u>(35)</u>	<u>(36)</u>
Change in cash basis net assets	111	14
Cash basis net assets, beginning of year	<u>552</u>	<u>538</u>
Cash basis net assets, end of year	<u>\$ 663</u>	<u>552</u>

Total business type activities receipts for the fiscal year were \$1,010,000 compared to \$1,037,000 last year. The cash balance increased by approximately \$111,000 from the prior year. Total disbursements for the fiscal year were \$864,000 compared to \$987,000 last year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Woodbine completed the year, its governmental funds reported a combined fund balance of \$410,721, a decrease of approximately \$29,000 from last year's balance of \$499,204. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased by \$147,621 from the prior year to \$151,546. The decrease was primarily due to additional capital outlay for police equipment, repairs to police and fire equipment and increase in health insurance costs.
- The Road Use Tax Fund cash balance increased by \$965 from prior year to 19,454.
- The Capital Projects Fund increased \$3,771 from the prior year to \$64,647.
- The Debt Service Fund increased \$3,100 from the prior year to \$3,331.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$44,032 to \$229,153 due to increase in water rates.
- The Sewer Fund cash balance increased by \$12,524 to \$31,915.
- The Gas Fund cash balance increased \$53,990 to \$401,472 due to increase in gas rates.

BUDGETARY HIGHLIGHTS

The City exceeded the amount budgeted in the public safety function. Receipts were approximately \$1,750,000 less than budgeted due to over budgeting grant monies for capital projects.

DEBT ADMINISTRATION

At June 30, 2010, the City had \$1,018,000 in general obligation and revenue debt compared to \$1,152,000 last year, as shown below.

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	June 30,	
	2010	2009
General obligation bonds and notes	\$ 972	\$ 1,106
Interim revenue debt	46	46
	<u>\$ 1,018</u>	<u>\$ 1,152</u>

The City's outstanding general obligation debt of \$972,000 is below its constitutional debt limit of \$3,100,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Woodbine City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates, and fees charged for various City activities. These include the following:

- a. Small street projects totaling approximately \$200,000.
- b. New technology updates including global information system (GIS), electronic storage and information systems and training.
- c. Alternative ice removal treatments.
- d. Considered payment in lieu of taxes from Woodbine Municipal Utilities.
- e. Grant awards received for master façade, pilot green and sustainable energy efficient programs.
- f. General obligation financing for construction of a public works building. Council approved a cost limit of \$400,000 for the building.
- g. Considered improvements to tennis courts and pool bath house.
- h. Considered purchase of a fire tanker truck and an addition to the fire station.
- i. Considered increase in water rates to cover additional maintenance costs.
- j. Prior year increases in gas and sewer rates were considered in projecting those revenues.
- k. Considered water treatment improvements and design to remove nitrates.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lois Surber, City Clerk, 517 Walker, Woodbine, Iowa.

City of Woodbine
Basic Financial Statements

City of Woodbine
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2010

	Disbursements	Charges for Service	Program Receipts Operating Grants Contributions and Restricted Interest
Functions/Programs:			
Primary Government:			
Governmental activities:			
Public safety	\$ 290,670	305	16,779
Public works	225,364	43,731	147,736
Health and social services	3,350	-	-
Culture and recreation	197,995	18,668	19,017
Community and economic development	32,495	-	-
General government	52,614	2,666	7,687
Debt service	141,065	-	-
Capital projects	362,510	-	-
Total governmental activities	1,306,063	65,370	191,219
Business type activities:			
Water	113,318	171,856	-
Sewer	65,293	92,262	-
Gas	686,344	710,847	-
Total business type activities	864,955	974,965	-
Total	\$ 2,171,018	1,040,335	191,219
Component Unit:			
Electric utility	\$ 1,329,185	1,133,794	10,576
General Receipts:			
Property tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Grants and contributions not restricted to specific purpose			
Unrestricted interest on investments			
Miscellaneous			
Sale of assets			
Transfers			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
Cash Basis Net Assets			
Restricted:			
Expendable:			
Streets			
Capital projects			
Debt service			
Other purposes			
Unrestricted			
Total cash basis net assets			

See notes to financial statements

Capital Grants Contributions and Restricted Interest	Net (Disbursement) Receipts and Changes in Cash Basis Net Assets			
	Governmental Activities	Business Type Activities	Primary Government	Component Unit
			Total	Electric Utility
-	(273,586)	-	(273,586)	-
-	(33,897)	-	(33,897)	-
-	(3,350)	-	(3,350)	-
-	(160,310)	-	(160,310)	-
-	(32,495)	-	(32,495)	-
-	(42,261)	-	(42,261)	-
-	(141,065)	-	(141,065)	-
263,886	(98,624)	-	(98,624)	-
263,886	(785,588)	-	(785,588)	-
-	-	58,538	58,538	-
-	-	26,969	26,969	-
-	-	24,503	24,503	-
-	-	110,010	110,010	-
263,886	(785,588)	110,010	(675,578)	-
-	-	-	-	(184,815)
\$	403,745	-	403,745	-
	139,031	-	139,031	-
	85,731	-	85,731	-
	79,068	-	79,068	-
	1,118	-	1,118	-
	6,993	6,992	13,985	18,777
	1,846	28,812	30,658	-
	3,709	-	3,709	5,027
	35,268	(35,268)	-	-
	756,509	536	757,045	23,804
	(29,079)	110,546	81,467	(161,011)
	495,204	551,994	1,047,198	881,866
\$	466,125	662,540	1,128,665	720,855
\$	19,454	-	19,454	-
	64,647	-	64,647	-
	3,331	-	3,331	-
	213,094	-	213,094	-
	165,599	662,540	828,139	720,855
\$	466,125	662,540	1,128,665	720,855

City of Woodbine
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2010

	General	Road Use Tax	Capital Projects	Debt Service
Receipts				
Property tax	\$ 326,888	-	-	139,031
Tax increment financing collections	-	-	-	-
Other city tax	2,639	-	-	-
Licenses and permits	2,666	-	-	-
Use of money and property	7,366	-	-	-
Intergovernmental	11,286	145,079	263,886	-
Charges for service	60,621	-	-	-
Special assessments	1,833	-	-	-
Miscellaneous	37,695	-	-	-
Total receipts	<u>450,994</u>	<u>145,079</u>	<u>263,886</u>	<u>139,031</u>
Disbursements				
Operating:				
Public safety	290,670	-	-	-
Public works	45,599	144,114	-	35,651
Health and social services	3,350	-	-	-
Culture and recreation	197,995	-	-	-
Community and economic development	-	-	-	-
General government	52,614	-	-	-
Debt service	-	-	-	141,065
Capital projects	-	-	362,510	-
Total disbursements	<u>590,228</u>	<u>144,114</u>	<u>362,510</u>	<u>176,716</u>
Excess (deficiency) of receipts over (under) disbursements	(139,234)	965	(98,624)	(37,685)
Other financing sources (uses):				
Sale of capital assets	3,709	-	-	-
Operating transfers in	104,352	-	102,395	40,785
Operating transfers out	(102,395)	-	-	-
Total other financing sources (uses)	<u>5,666</u>	<u>-</u>	<u>102,395</u>	<u>40,785</u>
Net change in cash balances	(133,568)	965	3,771	3,100
Cash balances beginning of year	<u>299,167</u>	<u>18,489</u>	<u>60,876</u>	<u>231</u>
Cash balances end of year	\$ <u>165,599</u>	<u>19,454</u>	<u>64,647</u>	<u>3,331</u>
Cash Basis Fund Balances				
Reserved for debt service	-	-	-	3,331
Unreserved:				
General fund	\$ 165,599	-	-	-
Special revenue funds	-	19,454	-	-
Capital projects fund	-	-	64,647	-
Total cash basis fund balances	\$ <u>165,599</u>	<u>19,454</u>	<u>64,647</u>	<u>3,331</u>

See notes to financial statements

Other Nonmajor Governmental Funds	Total
74,218	540,137
85,731	85,731
79,068	81,707
-	2,666
-	7,366
-	420,251
-	60,621
-	1,833
-	37,695
<u>239,017</u>	<u>1,238,007</u>
-	290,670
-	225,364
-	3,350
-	197,995
32,495	32,495
-	52,614
-	141,065
-	362,510
<u>32,495</u>	<u>1,306,063</u>
206,522	(68,056)
-	3,709
-	247,532
(109,869)	(212,264)
<u>(109,869)</u>	<u>38,977</u>
96,653	(29,079)
<u>116,441</u>	<u>495,204</u>
<u>213,094</u>	<u>466,125</u>
-	3,331
-	165,599
213,094	232,548
-	64,647
<u>213,094</u>	<u>466,125</u>

City of Woodbine
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2010

	Enterprise Funds			
	Water	Sewer	Gas	Total
Operating receipts:				
Charges for service	\$ 171,856	92,262	710,847	974,965
Operating disbursements:				
Business type activities	113,318	65,293	686,344	864,955
Excess (deficiency) of operating receipts over (under) operating disbursements	58,538	26,969	24,503	110,010
Non-operating receipts:				
Interest on investments	699	699	5,594	6,992
Miscellaneous	2,429	2,490	23,893	28,812
Total non-operating receipts	3,128	3,189	29,487	35,804
Excess of receipts over disbursements	61,666	30,158	53,990	145,814
Other financing sources (uses):				
Operating transfers out	(17,634)	(17,634)	-	(35,268)
Net change in cash balances	44,032	12,524	53,990	110,546
Cash balances beginning of year	185,121	19,391	347,482	551,994
Cash balances end of year	\$ 229,153	31,915	401,472	662,540
Cash Basis Fund Balances				
Unreserved	\$ 229,153	31,915	401,472	662,540

See notes to financial statements

City of Woodbine

City of Woodbine
Notes to Financial Statements
June 30, 2010

NOTE (1) Summary of Significant Accounting Policies

The City of Woodbine is a political subdivision of the State of Iowa located in Harrison County. It was first incorporated in 1867 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and gas utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Woodbine has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Woodbine (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

Discrete Component Unit

Woodbine Municipal Light and Power is presented in a separate column to emphasize that it is legally separate from the city, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Utility is governed by a three member board appointed by the City Council and its operating budget is subject to the approval of the City Council.

City of Woodbine
Notes to Financial Statements
June 30, 2010

NOTE (1) Summary of Significant Accounting Policies – Continued

Jointly Governed Organizations

The City participates in jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City representatives are members of the following commissions: Harrison County Landfill Commission, Harrison County Emergency Management Commission, and the Public Energy Facilities Authority.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

City of Woodbine
Notes to Financial Statements
June 30, 2010

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long term debt.

The Capital Projects Fund is used to account for all resources used in the construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

The Gas Fund accounts for the operation and maintenance of the City's gas system.

C. Measurement Focus and Basis of Accounting

The City of Woodbine maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

City of Woodbine
Notes to Financial Statements
June 30, 2010

NOTE (1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting - Continued

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the public safety function.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2008, to compute the amounts which became liens on property on July 1, 2009. These taxes were due and payable in two installments on September 30, 2009 and March 31, 2010, at the Harrison County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

City of Woodbine
Notes to Financial Statements
June 30, 2010

NOTE (2) Cash and Pooled Investments - Continued

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$1,128,665.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

NOTE (3) Notes Receivable

The City of Woodbine approved consumer financing for gas efficient furnaces, water heaters, gas log fireplaces, and gas dryers for 90% of cost, up to \$2,000. Consumers repay the loans over a 5 year period at zero interest rates through a monthly charge included on their utility billings. Financing transactions during the current fiscal year are as follows:

Beginning balance	\$	52,855
Amounts financed		39,314
Payments received		<u>22,275</u>
Ending balance	\$	<u>69,894</u>

NOTE (4) Bonds and Notes Payable

Annual debt service requirements to maturity of general obligation bonds and notes are as follows:

Year Ended June 30,	General Obligation Bonds and Notes	
	Principal	Interest
2011	\$ 116,749	\$ 37,573
2012	110,000	33,895
2013	115,000	29,935
2014	115,000	25,565
2015	120,000	21,080
2016-2018	<u>395,000</u>	<u>33,510</u>
Total	\$ <u>971,749</u>	\$ <u>181,558</u>

Interest costs paid during the year ended June 30, 2010 totaled \$42,005.

City of Woodbine
Notes to Financial Statements
June 30, 2010

NOTE (4) Bonds and Notes Payable – Continued

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$3,100,000 which was not exceeded during the year ended June 30, 2010.

The City of Woodbine was approved for \$90,000 in interim project financing from the Iowa Finance Authority for the purpose of paying authorized costs in connection with the planning and designing of improvements to the municipal water works system. The note is due February 2011 at 0% interest, to be paid from the issuance of water revenue bonds. The City has drawn down \$46,340 of the note proceeds as of June 30, 2010.

NOTE (5) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2010 was \$24,951, equal to the required contribution for the year.

NOTE (6) Other Postemployment Benefits (OPEB)

Plan description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There were 7 active members and 1 retired member in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with TrueNorth. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$493 for single coverage and \$965 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$1,144 and plan members eligible for benefits contributed \$2,287 to the plan.

City of Woodbine
Notes to Financial Statements
June 30, 2010

NOTE (7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation benefits payable to employees at June 30, 2010, primarily relating to the General Fund, is \$11,590. This liability is computed based on rates of pay as of June 30, 2010.

NOTE (8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
General:	Special Revenue:	
	Employee Benefits	\$ 74,218
	Enterprise:	
	Water	15,067
	Sewer	15,067
		<u>104,352</u>
Capital Projects:	General	102,395
Debt Service:	Special Revenue:	
	Local Option Sales Tax	35,651
	Enterprise:	
	Water	2,567
	Sewer	2,567
		<u>40,785</u>
		<u>\$ 247,532</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

NOTE (9) Risk Management

The City of Woodbine is exposed to various risks of loss related to torts: theft, damage to and destruction of assets; errors and omission; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liabilities for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

City of Woodbine
Notes to Financial Statements
June 30, 2010

NOTE (10) Urban Renewal Tax Increment Financing Development Agreements

Brookview Development Agreement

In March 2000, the City entered into an agreement with Brookview Development. The developer agreed to provide improvements to certain property within the City's Urban Renewal Area for the purpose of constructing housing units. In exchange, the City agreed to make urban renewal increment tax payments to the Developer semi-annually of eligible costs of approximately \$184,044. If tax increment financing collections are available, these payments will be made December 1 and June 1 of each fiscal year, beginning December 1, 2002 and continue for nine fiscal years or until the total has been paid. The City shall retain 37.29% of the urban renewal tax increment revenue for the purpose of providing assistance to low and moderate income (LMI) families, and pay the remaining 62.71% to the developer. The City paid the developer \$11,202 during the year.

410 Walker LLC Development Agreement

In March 2002, the City entered into an agreement with 410 Walker LLC. The developer agreed to provide improvements to certain property within the City's Urban Renewal Area for the purpose of constructing a building which includes commercial space and affordable housing units. In exchange, the City agreed to make urban renewal increment tax payments to the Developer semi-annually of eligible costs of approximately \$85,000. If tax increment financing collections are available, these payments will be made December 1 and June 1 of each fiscal year, beginning December 1, 2004 and continue for nine fiscal years or until the total has been paid. The City paid the developer \$3,591 during the year. In addition, from January to June 2002, the City loaned the developer a non interest bearing note of \$50,000 to be repaid with urban renewal LMI tax increment funds retained by the City on the Brookview Development agreement, and any other eligible Harrison County urban renewal areas supporting residential development. The balance on the note was \$15,655 at June 30, 2010.

NOTE (11) Related Party Transactions

The City of Woodbine has an urban renewal development agreement with an official of the Municipal Utility (a component unit of the City). The City paid the developer \$11,202 during the year.

NOTE (12) Subsequent Events

In June 2010, the City received notice of approval of a \$100,000 I-Jobs housing assistance grant to renovate a two-story historic property into rental units. The City will begin construction in fiscal year 2011.

In July 2010, the City received notice of a CDBG award in the amount of \$500,000 for rehabbing downtown facades.

In August 2010, the City approved a \$400,000 general obligation note for financing the construction of a public works building and a fire hall extension, and purchase of a fire truck.

Required Supplementary Information

City of Woodbine
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Actual
Receipts			
Property tax	\$ 540,137	-	540,137
Tax increment financing collections	85,731	-	85,731
Other city tax	81,707	-	81,707
Licenses and permits	2,666	-	2,666
Use of money and property	7,366	6,992	14,358
Intergovernmental	420,251	-	420,251
Charges for service	60,621	974,965	1,035,586
Special assessments	1,833	-	1,833
Miscellaneous	37,695	28,812	66,507
Total receipts	<u>1,238,007</u>	<u>1,010,769</u>	<u>2,248,776</u>
Disbursements			
Public safety	290,670	-	290,670
Public works	225,364	-	225,364
Health and social services	3,350	-	3,350
Culture and recreation	197,995	-	197,995
Community and economic development	32,495	-	32,495
General government	52,614	-	52,614
Debt service	141,065	-	141,065
Capital projects	362,510	-	362,510
Business type activities	-	864,955	864,955
Total disbursements	<u>1,306,063</u>	<u>864,955</u>	<u>2,171,018</u>
Excess (deficiency) of receipts over (under) disbursements	(68,056)	145,814	77,758
Other financing sources, net	<u>38,977</u>	<u>(35,268)</u>	<u>3,709</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(29,079)	110,546	81,467
Balances beginning of year	<u>495,204</u>	<u>551,994</u>	<u>1,047,198</u>
Balances end of year	<u>\$ 466,125</u>	<u>662,540</u>	<u>1,128,665</u>

See accompanying independent auditor's report

Original Budgeted Amounts	Budget to Actual Variance
544,533	(4,396)
95,000	(9,269)
50,000	31,707
2,000	666
10,000	4,368
1,559,660	(1,139,409)
1,378,416	(342,830)
-	1,833
364,000	(297,493)
4,003,609	(1,754,833)
283,372	(7,298)
619,444	394,080
5,000	1,650
251,909	53,914
326,000	293,505
104,300	51,686
141,065	-
1,429,660	1,067,150
3,074,563	2,209,608
6,235,313	4,064,295
(2,231,704)	2,309,462
1,686,000	(1,682,291)
(545,704)	627,171
663,316	383,882
117,612	1,011,053

City of Woodbine
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board (GASB) Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety function.

Other Supplementary Information

City of Woodbine
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2010

	Special Revenue Funds			Total
	Employee Benefits	Urban Renewal Tax Increment	Local Option Sales Tax	
Receipts:				
Property tax	\$ 74,218	-	-	74,218
Tax increment financing collections	-	85,731	-	85,731
Other city tax	-	-	79,068	79,068
Total receipts	74,218	85,731	79,068	239,017
Disbursements:				
Operating:				
Community and economic development	-	18,442	14,053	18,442
Total disbursements	-	18,442	14,053	18,442
Excess of receipts over disbursements	74,218	67,289	65,015	220,575
Other financing uses:				
Operating transfers out	(74,218)	-	(35,651)	(109,869)
Net change in cash balances	-	67,289	29,364	96,653
Cash balances beginning of year	-	80,536	35,905	116,441
Cash balances end of year	\$ -	147,825	65,269	213,094
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ -	147,825	65,269	213,094

See accompanying independent auditor's report

City of Woodbine
Schedule of Indebtedness
Year ended June 30, 2010

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
Street improvement	Aug 1, 2003	3.00 - 4.25 %	\$ 1,530,000
Equipment	Aug 30, 2007	4.40 %	100,000
Total			
Interim revenue debt financing:			
Water improvements	June 7, 2008	0 %	\$ 90,000

See accompanying independent auditor's report

Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 1,060,000	-	100,000	960,000	40,665	-
<u>46,060</u>	<u>-</u>	<u>34,311</u>	<u>11,749</u>	<u>1,340</u>	<u>-</u>
\$ <u>1,106,060</u>	<u>-</u>	<u>134,311</u>	<u>971,749</u>	<u>42,005</u>	<u>-</u>
\$ <u>46,340</u>	<u>-</u>	<u>-</u>	<u>46,340</u>	<u>-</u>	<u>-</u>

City of Woodbine
Bond and Note Maturities
June 30, 2010

Year Ending June 30,	General Obligation Notes				
	Street Improvement Issued Aug 1, 2003		Street Improvement		Total
	Interest Rate	Amount	Interest Rate	Amount	
2011	3.40 %	105,000	4.40 %	11,749	116,749
2012	3.60 %	110,000	-	-	110,000
2013	3.80 %	115,000	-	-	115,000
2014	3.90 %	115,000	-	-	115,000
2015	4.00 %	120,000	-	-	120,000
2016	4.00 %	125,000	-	-	125,000
2017	4.10 %	130,000	-	-	130,000
2018	4.25 %	140,000	-	-	140,000
Total		\$ 960,000		\$ 11,749	\$ 971,749

See accompanying independent auditor's report.

City of Woodbine
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Six Years

	2010	Unaudited 2009	2008	Unaudited 2007	2006	Unaudited 2005
Receipts						
Property tax	\$ 540,137	500,891	484,847	526,641	512,935	510,194
Tax increment financing collections	85,731	109,414	104,907	103,411	91,647	93,420
Other city tax	81,707	87,766	82,176	79,456	77,642	78,683
Licenses and permits	2,666	4,691	2,545	7,269	5,558	3,021
Use of money and property	7,366	15,605	23,354	40,824	27,691	22,480
Intergovernmental	420,251	208,632	466,762	301,814	293,965	150,975
Charges for service	60,621	59,758	61,479	60,518	54,918	52,330
Special assessments	1,833	1,723	417	-	-	191
Miscellaneous	37,695	43,703	38,851	53,050	116,110	13,722
Total	\$ 1,238,007	1,032,183	1,265,338	1,172,983	1,180,466	925,016
Disbursements						
Operating:						
Public safety	\$ 290,670	254,909	234,034	235,141	222,218	220,719
Public works	225,364	204,685	312,591	171,426	205,790	262,084
Health and social services	3,350	3,300	3,200	3,200	3,000	3,000
Culture and recreation	197,995	190,782	252,723	206,271	297,457	200,741
Community and economic development	32,495	103,008	29,767	193,876	228,960	143,232
General government	52,614	41,028	59,180	45,984	75,558	130,682
Debt service	141,065	144,065	141,915	197,740	192,803	197,820
Capital projects	362,510	79,963	988,112	45,609	378,850	465,000
Total	\$ 1,306,063	1,021,740	2,021,522	1,099,247	1,604,636	1,623,278

See accompanying independent auditor's report

City of Woodbine



Marilyn Schroer, CPA
Diane McGrain, CPA
Jim Menard, CPA

September 27, 2010

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit Performed
in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the remaining aggregate fund information of the City of Woodbine, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated September 27, 2010. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting, as we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2009. Except as noted in the Independent Auditors' Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Woodbine's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Woodbine's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Woodbine's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Woodbine's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings to be material weaknesses.

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City of Woodbine
Independent Auditor's Report on
Internal Control and Compliance

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Woodbine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Woodbine's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Woodbine's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Woodbine and other parties to whom the City of Woodbine may report including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Woodbine during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schroeder & Associates, P.C.

City of Woodbine
Schedule of Findings
Year Ended June 30, 2010

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-10 Segregation of Duties

Comment – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one of the City's employees has control over payroll preparation and distribution.

One person has control over depositing; warrant writing, posting, and reconciling for the Library.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City and Library should review operating procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate alternative procedures.

Conclusion – Response acknowledged.

I-B-10 Computerized Data

Comment – We noted that certain functions of the accounting system are not utilized or integrated with the general ledger package. These include the bank reconciliation and payroll accounting features. Journal entries are required to be made to make the general ledger information complete and accurate and the possibility of errors increases.

Recommendation – The City should update and integrate computerized features and packages to assist in the processing of reliable financial information.

Response – We are working with our financial software provider to integrate these changes.

Conclusion – Response accepted.

City of Woodbine
Schedule of Findings
Year Ended June 30, 2010

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES

I-C-10 Separate Board

Comment – The library board maintains the accounting records pertaining to the operations of the library. These transactions and the resulting balances are not recorded in the Clerk's records as required by Code of Iowa Chapter 384.20.

Recommendation – Chapter 384.20 of the Code of Iowa states in part that, "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purposes." An accounting system for each board which will provide the necessary and required financial information should be implemented to comply with this code requirement. For better accountability, financial and budgetary control, the financial activity and balances of all city accounts should be reviewed at the transaction level and recorded in the Clerk's records.

Response – The City shall request from the library board to submit monthly, or at a minimum, quarterly reports to the City so that the financial activity of each board can be recorded in the Clerk's records.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Woodbine
Schedule of Findings
Year Ended June 30, 2010

Part II: Other Findings Related to Statutory Reporting:

II-A-10 Certified Budget

Comment - Disbursements during the year ended June 30, 2010 exceeded the amount budgeted in the public safety function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in sufficient amounts in the future, if applicable.

Conclusion - Response accepted.

II-B-10 Entertainment Expense - We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-10 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-10 Business Transactions - No business transactions were noted between the City and City officials or employees. However, the City paid an official of the Municipal Utility (a component unit of the City) \$11,202 pursuant to an urban renewal tax increment financing development agreement. Per the City Attorney, the transactions do not appear to represent a conflict of interest.

II-E-10 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-10 Council Minutes

Comment - No transactions were found that we believe should have been approved in the Council minutes but were not. However the list of claims approved in May were missing from the minutes. Although minutes of Council proceedings were published, they were not always published (or posted) within 15 days of the meeting, as required by Chapter 372.13(6) of the Code of Iowa. A summary of receipts and disbursements by fund were not included with the published minutes.

Recommendation - The City should publish all required information timely. The minutes should be corrected to include the May claims approved.

Response - We will make publications as required and the claims have been inserted into the permanent records.

Conclusion - Response accepted.

City of Woodbine
Schedule of Findings
Year Ended June 30, 2010

Part II: Other Findings Related to Statutory Reporting:

II-G-10 Deposits and Investments

Comment - We noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa. However, the City was unable to locate its investment policy.

Recommendation - The City should document and file its investment policy to reflect the provisions of Chapter 12.

Response - We will do this.

Conclusion - Response accepted.

II-H-10 Revenue Notes - The City has complied with provisions of the interim revenue debt financing.

II-I-10 Disbursements

Comment - The City received the front image only of electronically retained checks.

Recommendation - The City should request both the front and back images of checks in accordance with Chapter 554D.114(5) of the Code of Iowa.

Response - We will contact the bank to request this.

Conclusion - Response accepted.

II-G-10 Excess Balance

Comment - The balances in the Special Revenue Funds - Local Option Sales Tax Account and Urban Renewal Tax Increment, and the Enterprise Fund - Water at June 30, 2010 were in excess of each fund's disbursements during the year.

Recommendation - The City should consider the necessity of maintaining the substantial balances, and where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response - The excess balance is considered necessary for the payment of future project costs.

Conclusion - Response accepted.